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# Energy Efficiency Directive review 2021: let's make it count

## INTRODUCTION

The role of energy savings in fighting climate change is fundamental and widely acknowledged in the political debate. This is also supported by [different scenarios](#) which require a significant reduction of energy demand in order to achieve substantial emission reductions, when exploring ways to reach climate neutrality.

However, there is a discrepancy between the recognition the idea of energy efficiency receives by policy makers and the commitment needed to make it happen on the ground. Although energy efficiency measures [have contributed to declining energy consumption](#) trends over the years, energy consumption still increased from 2014 to 2017, while in 2018, the change was marginal compared to the previous year. In 2019, [both primary and final energy consumption decreased](#), but current progress is worryingly slow and not sufficient to tap into the full potential of energy savings. Before the COVID crisis, Europe was still far off course to meet its 20% energy efficiency target in 2020.

The EU and the Member States need to pick up the pace on energy savings, as the next ten years will be decisive in reaching the 1.5°C objective, requiring an unprecedented scale of action in all sectors. This means for example tripling the rate of building renovations and substantially increasing their depth, while making further use of more efficient appliances and phasing out fossil fuel based heating systems. A circular economy approach as well as modernised and electrified production processes are needed for industry to significantly reduce resource use, while a quick shift to electric vehicles should be combined with a modal shift towards public transport.

Everything needs to be done much faster and to a much larger extent. Political will is needed to really prioritise energy efficiency. The EU policy framework should set the pace with strong and binding targets and measures, helping ensure a level playing field. The implementation of transformational measures at the national level can drive the reduction of energy consumption, bringing along with it other benefits beyond greenhouse gas emissions such as job creation, lower energy bills and improved health.

2021 and the years to come will be key to increase the level of ambition of the policies on energy efficiency, starting with the vital update of the EU legislation included in the “Fit for 55 package” such as the Energy Efficiency Directive. The focus should be on ambitious policies that tackle climate change and benefit people and the economy.

## AIM OF THIS BRIEFING

The revision of the Energy Efficiency Directive presents a unique opportunity to build on the improvements achieved under the previous review and address the remaining weaknesses in order to strengthen the energy efficiency policy framework and ensure that action on energy efficiency becomes a true priority.

This briefing presents a concise overview of this important piece of legislation and its recent changes under the review that was finalised in 2018. It also outlines a set of key options that need to be put forward within the EED to improve the current policy framework and increase its ambition. These include:

- **An EU binding 2030 energy efficiency target of at least 45% to help the EU achieve the Paris Agreement goal**
- **Stronger policies and measures to underpin the delivery of the target**
  - Making the exemplary role of public buildings (Article 5) meaningful
  - Strengthening the Energy Savings Obligation (Article 7)
  - Bringing the heating and cooling provisions up to date (Article 14)

## STATE OF PLAY IN A NUTSHELL

A series of policies and measures in the form of directives and regulations have been put in place to improve energy efficiency and reduce energy demand in different sectors. The [Energy Efficiency Directive \(2012/27/EC\)](#) was adopted and entered into force in 2012 with the aim of comprehensively addressing barriers that are considered to be prominent in implementing energy savings policies. Such barriers include the lack of upfront finance, low awareness and information among consumers on why and how to save energy, split incentives between buildings' owners that need to pay for the measures and tenants who can benefit from them.

In 2016, the European Commission presented its [“Clean Energy Package for all Europeans”](#) to enact the EU's 2030 climate and energy framework. The Package incorporated a proposal to review the Energy Efficiency Directive (EED), including an energy efficiency target and targeted adjustments to specific key provisions to fit the 2030 timeline. The amended Energy Efficiency Directive, which was not revised in its entirety, was adopted in 2018 and entered into force in 2019.

During this process, the European Parliament pushed for higher ambition than originally proposed by the European Commission for the 2030 energy efficiency target and for safeguarding the energy savings obligation as an important tool to drive action on energy efficiency against [the aggregated position of the Council to weaken this provision](#).

The Energy Efficiency Directive (EED) has strengthened the European legislative framework, starting with setting EU targets which provide the strategic direction for taking action on energy efficiency. At the same time, its cross cutting provisions made Member States consider energy efficiency more systematically. Member States for the first time under the EED had to set national energy efficiency targets/contributions and report on them in a comparable way. Although the targets/contributions are indicative, this facilitates the process of monitoring the EU progress towards meeting its collective energy savings target. Furthermore, the provisions on the energy savings obligation which are mandatory helped maintain or set in motion the implementation of many national energy savings measures. According to a [recent report of the Joint Research Centre](#) on the energy efficiency dimension of the final National Energy and Climate Plans (NECPs), a total of 372 national policies and measures have been identified in the NECPs in relation to the implementation of the EED's energy savings obligation for the period 2021-2030.

## EED REVIEW 2021: MAKING THE DIFFERENCE

The new developments brought forward by the adoption of the European Green Deal together with the commitment to climate neutrality and to a higher climate ambition for 2030, demand once again from the EU to update its energy targets and the corresponding legislation. Reducing greenhouse gas emissions in line with the objectives of the Paris Agreement will require a profound transformation of all sectors of the European economy. This transformation needs to be supported by a bold policy framework at European and national level.

In this context, the upcoming EED review presents a great opportunity to further build on the improvements achieved under the 2016 – 2018 review and address some of its remaining weaknesses. This will help grasp more of the multiple benefits energy savings have to offer to European citizens beyond greenhouse gas emission reductions such as job creation, lower energy bills and improved health. According to the European Commission, the evaluation of the EED will focus on elements that were not revised in 2018, while the Impact assessment for its revision will be looking at the entire legislation, analysing different policy options on what needs to be streamlined, strengthened, added or changed in view of meeting the increased 2030 greenhouse gas emissions reduction ambition. CAN Europe key priorities on the EED review are presented below.

### A STRONGER AND BINDING 2030 ENERGY EFFICIENCY TARGET

The EED defines the level of the EU 20% energy efficiency target for 2020, as a total annual energy use for the EU-28 in 2020 of 1483 million tonnes of oil equivalent (Mtoe) in primary energy and/or 1086 Mtoe in final energy. However, it neither goes so far as to make the target legally binding nor does it break it down into individual national targets for each country. Member States were required to set their own 'indicative' national targets.

It also includes a headline energy efficiency target for 2030 of at least 32.5% which was set with the review in 2018. This is translated to a total energy use for 2030 of 1128 Mtoe in primary energy and/or 846 Mtoe in final energy for the EU-27. This target although higher than what the Commission originally proposed back in 2016, it is not in line with the Paris Agreement goals and does not maximise the benefits for citizens and society. Member States had again to set their own 'indicative' national contributions.

With the increase of the 2030 climate target, it is only logical that the level of ambition of the energy targets increases as well. This is also indicated in the [Commission's Impact Assessment](#) accompanying the Climate Target Plan. This will reconfirm and further support the collective commitment of Member States for achieving Europe's climate neutrality goal, in a mutual reinforcing way.

However, as action in the next ten years will be decisive in reaching the 1.5°C objective, the EU should strive for at least 65% greenhouse gas emission reductions by 2030. The agreed net 55% target still falls short of what the EU needs to do. **This also means that the increase of the 2030 energy efficiency and renewable energy targets should go well beyond what is indicated in the 2030 Climate Target Plan.** The [Communication on the Climate Target Plan](#) highlights that, to achieve the net greenhouse gas emission reductions of 55%, there is a need to increase the level of ambition for energy efficiency to 36-37% for final energy and 39-41% for primary energy consumption by 2030 from the current headline target of at least 32.5%. **CAN Europe supports an increase of the level of ambition of the EU's 2030 energy efficiency target, to at least 45%, combined with an at least 50% target for renewable energy.**

**Higher levels of ambition for 2030 than those foreseen in the Climate Target Plan should be considered** for the Energy Efficiency Directive and the Renewable Energy Directive, also taking into account **the multiple benefits energy efficiency and renewable energy have to offer.**

Furthermore, the [European Commission's recent assessment of the final NECPs](#), indicated a gap of around 3% in the level of ambition of the 2030 national energy efficiency contributions towards the 2030 EU energy efficiency target which remains non binding. At the same time, the assessment of the renewable energy national contributions did not show any gaps towards the EU renewable energy target, which is binding. This clearly showcases the importance of binding targets. **Therefore, both EU energy targets should be binding.**

This should be combined with national binding targets in order to ensure accountability at the national level. Even if the current 2030 EU renewable energy target could be collectively achieved, as indicated by the Commission's analysis, there are still some Member States that do not even meet the minimum level of ambition indicated in their country-specific benchmark which is in line with that target. This shows that the current system is not sufficient to ensure that governments prioritise action on renewable energy and energy savings.

## STRONGER POLICIES AND MEASURES TO UNDERPIN DELIVERY

**Key improvements related to different provisions of the Energy Efficiency Directive (EED) include:**

- **Making the exemplary role of public buildings (Article 5) meaningful:** The EED includes an obligation for Member States to renovate 3% of the floor area covered by buildings owned and occupied by central governments each year. The buildings renovated should meet at least the minimum energy performance requirements set by the Energy Performance of Buildings Directive 2010/31/EC

(EPBD). Alternatively, Member States can take measures in their central government buildings to achieve an equivalent amount of savings to that, which otherwise would be delivered through the 3% renovation requirement. Member States are required to report only the total building floor area of renovated buildings, and not the energy savings achieved through these renovations, as otherwise prescribed under the alternative approach.

**The 3% renovation requirement should be linked to deep renovations and the scope should be expanded to all public buildings, with a focus on schools, hospitals and social housing. The possibility to follow an alternative approach to renovations should be deleted.** The discussion on this provision should be closely linked to the discussion on the Renovation Wave and the revision of the EPBD that will follow at the end of the year.

- **Strengthening the Energy Savings Obligation (Article 7):** A mandatory requirement for each Member State was set initially to achieve 1.5% annual energy savings among final consumers through the implementation of energy efficiency measures such as home insulation, double glazed windows, more efficient appliances and heating systems. During the period between 2014 and 2020, exemptions were allowed to reduce the impact of this provision, meaning that the average annual savings that could actually be achieved in the EU was around half of what was originally foreseen. Following the 2016-2018 review, the implementation of the energy savings requirement was extended beyond 2020. For the period 2021 – 2030 but also the subsequent periods, the use of loopholes was practically eliminated but the level of ambition of the annual energy savings was set at 0.8%. Considering the impact of the loopholes, this is an improvement compared to the period up to 2020 but still the level of ambition is lower than the initial 1.5%.

**This is the strongest provision of the EED and its level of ambition needs to increase to achieve more energy savings among final consumers.** This will ensure that it fully fulfils its objective to accelerate the uptake of energy efficiency measures and achieve more end use energy savings among final consumers. **Furthermore, in order to contribute in achieving the EU climate goals, the implementation of Article 7 should be guided by a forward looking perspective and thus not promote fossil fuel technologies used in buildings for heating and cooling.** A [recent report from the Regulatory Assistance Project](#) explores initial options on how to upgrade this important tool.

- **Bringing the heating and cooling provisions up to date (Article 14):** A compulsory assessment of the potential of highly efficient cogeneration and efficient district heating and cooling - terms also defined in the EED and not changed since 2012 - need to be carried out by Member States. Depending on the positive outcome of the assessment, Member States need to develop measures to facilitate tapping into this potential. This provision incorporated elements of the combined heat and

power [\(CHP\) directive from 2004](#) which was repealed. This article was not revised during the previous review but the Commission made an effort through [a delegated regulation in 2019](#) to update some of its provisions and to broaden its scope. The requirements on what Member States should include in their national comprehensive heating and cooling assessments were [updated](#) in order to ensure that a more complete analysis of the heating and cooling sector is presented, also taking into account other technologies such as those based on renewable energy.

**The EED heating and cooling provisions, which are largely linked to promoting combined heat and power (CHP) generation, often operated on fossil fuels, are outdated. They need to be revised so that they contribute to the energy transition and the achievement of the EU longterm climate goals.** In any case, the challenges of heating and cooling are relevant for both the Energy Efficiency and the Renewable Energy Directives. **The EED should be part of a comprehensive energy policy framework that addresses both demand and supply in a coherent way. Energy efficiency and the reduction of energy demand should be the basis for ensuring the shift towards a 100% renewable based heating and cooling supply and for phasing out fossil fuels.** In this context, it needs to be ensured that the promotion of technologies such as CHP that can lead to a more efficient energy production from fossil fuels are not used as an excuse to prolong the use of fossil fuels in heating and cooling.

Overall, achieving the objectives of the Paris Agreement requires the reform of all climate and energy policies. Strengthening the energy efficiency policy framework through a dedicated mix of EU and national strong binding targets and robust policy measures will help mobilise the investments needed for the transition to a highly efficient and fully renewables based energy system. In this context, the EED revision which includes the overall energy efficiency target for the EU should provide the right signal for this reform.

## CONTACT

THEODORA PETROULA  
Deputy Director CAN Europe  
[dora@caneurope.org](mailto:dora@caneurope.org)